

Good afternoon,

I wanted to point you to some initial responses to Republic of Argentina's latest offer to bondholders, which included significant improvements to the terms and conditions of the initial April offer. I am also including attached an updated fact sheet detailing the negotiation milestones over the last several months.

Mohamed A. El-Erian, Chief Economic Adviser at Allianz SE, penned an opinion piece in [Bloomberg](#) (July 6, 2020), in which he writes:

- After months of often difficult negotiations, Argentina made a new offer to creditors Sunday that stands a solid chance of anchoring one of the largest sovereign debt restructurings in the history of emerging markets. By potentially lifting a big cloud hanging over the country's ability to grow solidly and inclusively — directly for the government's finances and indirectly by improving prospects for private sector activity — such an orderly and collaborative resolution could help overcome long-standing economic challenges that have recently been worsened by Covid-19.
- ...perseverance by the government and the constructive engagement of a subset of creditors, together with timely technical assistance by the IMF, has now opened the way to the possibility of lasting debt sustainability — a judgment that has been independently reached by Argentina, the IMF and several creditors.
- ...The compromise that has emerged from months of difficult negotiations warrants support by both Argentina and its creditors. Yes, it's less than what either side initially put forward. But it would be in neither's long-term interest to allow the theoretical best to be the enemy of the attainable good.

Gramercy Funds Management and Fintech Advisory Inc. issued a joint statement in support of the Government's proposal ([Statement](#), July 6, 2020):

- Gramercy Funds Management and Fintech Advisory Inc. welcome this evening's announcement by the Republic of Argentina, including the improvements in the terms and conditions of its original offer from April 21, 2020. We look forward to supporting Argentina's offer as it provides for the debt sustainability that is crucial for durable, high and inclusive economic growth.

Brad Setser, Senior Fellow at the Council on Foreign Relations, tweeted ([Twitter](#), July 5, 2020):

- Annex has all the key details -- including the amount of each existing bond now outstanding. 05/10 pars and discounts sadly get to keep the existing legal language on the new bonds.
- Apart from the concessions outlined in the press release (including payment of accrued interest in the new 1% 2030 bond), it looks on first glance like the step up on the new 2035 and 2038 has been accelerated
- Glad Argentina has tried to hold the line on the terminal coupon (5%) ... but looks like they have agreed to more upfront cash and a potential wall of amortizations (on the new 2030) starting in 2025 ...
- (I have had more trouble swallowing some of the creditor's proposals, seems obvious to me that Macri borrowing raised debt v exports in an unsustainable way and thus a need for coupon reduction)

Additionally, **President Alberto Fernández** made the following comments regarding the offer ([Statement](#) translated from Spanish, July 5, 2020):

- This offer “is the maximum effort we can make. It is an enormous effort that we have made to fulfill our word, which was to make an agreement that allow Argentina to comply with creditors and allow Argentines to no longer postpone those who are deferred.”

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Argentine Debt Restructuring Process Timeline

- **December 10, 2019:** In his [opening speech](#), President Alberto Fernández highlights that the Government will seek a "constructive and cooperative" dialogue on the public debt with the International Monetary Fund and the bondholders.
- **December 19, 2019:** The Ministry of Economy publishes a list of [principles](#) for managing the sustainability of public debt.
- **January 2, 2020:** The Argentine Republic invites bondholders to submit their views on the debt restructuring process. This invitation was followed by bondholder meetings with the External Debt Sustainability Restoration Unit, the Secretary of Economic Policy and the Minister of Economy.
- **January 31, 2020:** In a meeting with President Fernández, [Pope Francis](#) expresses his support for Argentina in its efforts to solve its debt crisis.
- **February 19, 2020:** The IMF [assesses](#) that Argentina's debt is unsustainable and emphasizes the importance of a "collaborative process of engagement with private creditors to maximize their involvement in the debt operation".
- **March 20, 2020:** The IMF publishes a debt sustainability analysis in a [technical note](#), which outlines a couple of goals related to (a) debt repayment in foreign currency after 2024 (which on average cannot exceed 3.0% of GDP) and (b) total gross financing needs (which on average cannot exceed 5.0% of GDP and in none of the years can it exceed 6.0% of GDP).
- **March 20, 2020:** In an online transmission the Minister of the Economy presents to creditors the [debt sustainability framework](#) that will replace the debt restructuring negotiations.
- **April 7, 2020:** Argentina formally requests the rescheduling of the debt with the Paris Club.
- **April 9 to 21, 2020:** Argentina engages in the first round of private negotiations with creditors and further develops its [restructuring guidelines](#).
- **April 21, 2020:** Argentina [officially launches an exchange offer for its debt regulated by foreign legislation](#), **formally establishing a transparent, good faith and constructive dialogue** with creditors to ensure that Argentina is on the path to long-term sustainability.

- **April 26, 2020:** Argentina begins a [virtual roadshow](#), continues with the negotiations and seeks the opinion of investors on the efforts aimed at achieving the restructuring of public debt.
- **May 4, 2020:** Three groups of creditors [issue a joint statement](#) **rejecting the government's proposal** to restructure the debt.
- **May 4 to 5, 2020:** Argentine [governors](#) and [mayors](#) express their support for the government's debt restructuring strategy.
- **May 6, 2020:** Joseph Stiglitz, Edmund Phelps and Carmen Reinhart publish a [letter](#) signed by economists from 20 countries supporting Argentina's debt restructuring proposal. In addition, more than 100 [Argentine economists](#) publish a letter in support of the debt restructuring proposal.
- **May 11, 2020:** Argentina publishes a [press release](#) extending the expiration of the offer from April 21 to May 22, 2020.
- **May 15, 2020:** In a [speech at the Council of Foreign Relations](#), Minister Martín Guzmán emphasizes that Argentina is willing to consider any combination of interest reduction, capital reduction or maturity extension that is compatible with his debt sustainability goals.
- **May 15, 2020:** Creditors present three [counteroffers](#), which **do not take into consideration the IMF's assessment on the sustainability of Argentina's debt**.
- **May 21, 2020:** Argentina publishes a [press release](#) extending the expiration of the offer from April 21 to June 2, 2020.
- **May 22 to 28, 2020:** Argentina enters into the second round of private negotiations with creditors. During such discussions, Argentina presents new debt restructuring terms, extending the limits of the government's capacity to pay in order to reach an agreement with creditors while ensuring that Argentina's debt is sustainable and that the economy moves forward towards long-term growth. **The revised terms consist in a significant modification of the initial April 8 proposal, increasing the combined return value of the bonds.**
- **May 28, 2020:** Confidentiality agreements with the Ad-hoc Group and the Group of Exchange Bond Holders expire and Argentina clarifies [material non-public information](#).
- **June 1, 2020:** Argentina publishes a [press release](#) extending the expiration of the offer from April 21 to June 12, 2020.

- **June 6 to 17, 2020:** Argentina begins the third round of private negotiations with creditors. The Republic makes one last approach towards investors, **by significantly improving its debt restructuring terms to comply with investors' request to have a return value at identifier 50 with a discount factor of 10%, which is often invoked by creditors.** The Republic **also proposes a Value Recovery Instrument (VRI)** based on exports.
- **June 12, 2020:** Argentina published a [press release](#) extending the expiration of the offer from April 21 to June 19, 2020.
- **June 17, 2020:** Confidentiality agreements with the Ad-hoc Group and the Group of Exchange Bond Holders expire and Argentina [clarifies material non-public information](#).
- **June 19, 2020:** Argentina published a [press release](#) extending the expiration of the offer.
- **July 6, 2020:** Argentina [improves the terms and conditions](#) of the offer, which expires August 4, 2020 and announces [proposed legislation](#) related to the restructuring.